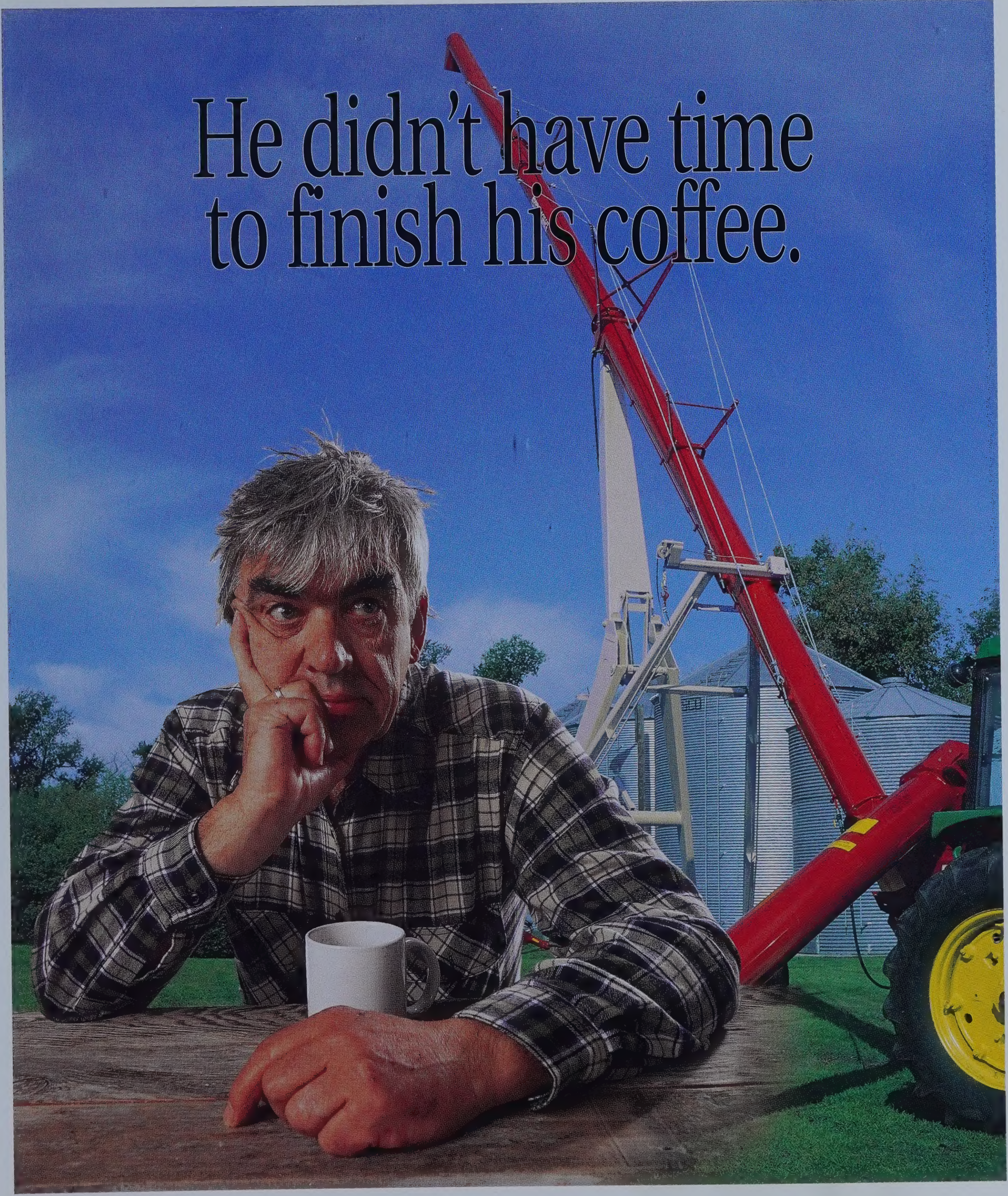
1998 ANNUAL REPORT



bühler

Buhler-Weidemann Wheel Loader, Model 1070, the latest addition to our product line up

In July of 1998, the company announced its agreement with Weidemann GmbH & Co. KG of Flechtdorf, Germany to market the Weidemann proven "wheel loader" tractors throughout North America.

Weidemann is Europe's sales leader in these diesel-powered articulating tractors in the 30 to 70 horse power range.

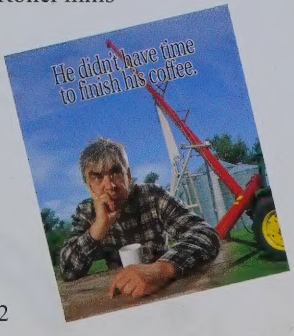
Following an introductory period of about a year, the company intends to commence partial assembly. Depending upon marketing acceptance, the terms of the joint venture agreement calls for eventual manufacturing of the machines in North America.

The product is ideally suited for a broad range of agricultural, landscaping and light industrial applications. In 1998 the company also introduced:

- two new models of rear blades to provide us with a full line offering in this field
- a new line of commercial finishing mowers for golf courses and professional landscape contractors

Buhler Industries manufactures a broad range of products marketed through our North American wide distribution system. Most of the products listed below are seasonal, however, the mixture is such as to provide the company with reasonably equal sales volume throughout the year.

Grain augers	Harrow sections	Drawbars
Front-end loaders	Finishing mowers	Rear blades
Snow blowers	Garden tools	Rotary tillers
Grain cleaners	Compact implements	Wheel loaders
Roller mills	Grain dryers	Golf Course mowers



FRONT COVER:

He didn't have time to finish his coffee because the new high-capacity grain auger unloaded his truck in 3 minutes. The picture on the front cover is an abbreviated version of an advertisement for our "backsaver" line of high-capacity grain augers, a fast growing product line in our farm equipment offering. The ad will run in farm publications reaching large volume grain farmers in north central United States and Canada.

Ten Year Highlights

(in thousands of Canadian Dollars (except per share amounts)

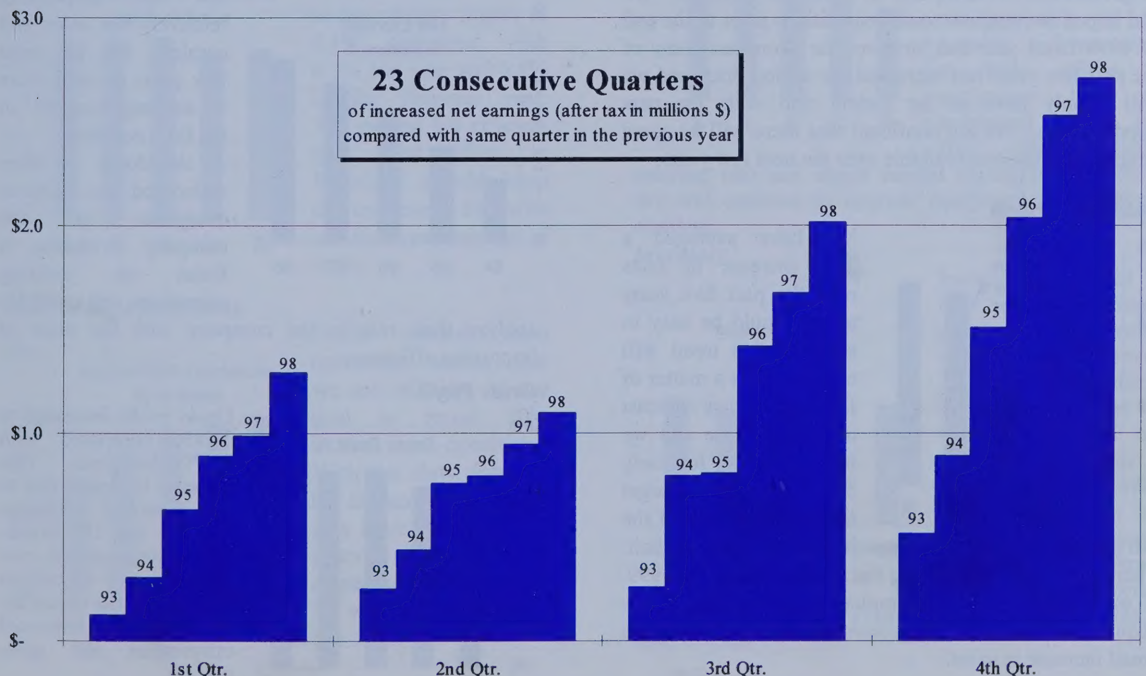
Year ended Sept. 30	1989	1990	1991	1992	1993	1994	1995	1996	1997	**1998**
Revenue	$18,243	$20,401	$22,790	$23,827	$33,583	$48,040	$56,575	$66,517	$85,375	**$89,194**
Gross profit	6,253	6,850	7,334	7,327	8,273	13,052	16,522	21,288	27,060	**29,243**
Net income after taxes	1,250	1,119	1,245	1,178	1,142	2,421	3,703	5,133	6,131	**7,113**
Return on capital	11%	13%	13%	9%	10%	11%	18%	19%	24%	**26%**
Return on equity	12%	10%	10%	8%	7%	13%	16%	18%	18%	**17%**
Earnings per share (basic)	$ 0.06	$ 0.05	$ 0.06	$ 0.06	$ 0.06	$ 0.12	$ 0.18	$ 0.22	$ 0.26	**$ 0.29**
Shareholders equity	10,814	11,283	14,068	14,867	16,647	20,702	25,317	31,811	37,497	**44,790**
Capital expenditures	1,244	746	2,364	1,952	969	9,369	7,884	9,552	12,253	**5,917**
Number of employees	182	204	228	238	315	400	450	525	600	**600**

Company Profile

Buhler Industries Inc. can trace its origin back to 1933 when the founder of the Company, Mr. Adolf Krushel, began manufacturing farm equipment. Most notably, a high capacity grain grinder that was distributed throughout Western Canada. From these early beginnings, and in particular over the last 28 years since the Company was acquired by John Buhler, the Company has grown to become a significant player in the farm equipment industry.

Today, the Company operates five highly modern manufacturing plants and six distribution centers totaling over 600,000 square feet of facilities and employing 600 people. The Company remains strongly committed to its core business as a major manufacturer of a wide range of agricultural equipment, marketed throughout North America under two primary brand names: **"Allied"** and **"Farm King"**. In recent years however, the Company has expanded through diversification into new areas of manufacturing, identifying a few select market niches in custom steel fabrication. The Company's laser division and Bradley Steel division serve as the focal points for expanding the custom steel fabrication service.

The Company also operates furniture and mirror manufacturing divisions producing high quality lines of furniture and mirrors marketed under the brand name **"Buhler"**



To our Shareholders

Grain prices decreased to record lows so we are satisfied that we still managed an increase in sales. The increase was not as much as we anticipated but we are pleased that profit expectations were met.

Your Company is becoming recognized as one of the major players in the manufacturing and distribution of farm equipment in Canada and we are determined to focus on this part of our business. Farm equipment is what we know best and it continues to provide satisfactory margins.

Your Company has invested $45 million in capital assets over the past 5 years and the over 600,000 square feet of manufacturing space equipped with state of the art equipment has attracted other manufacturing companies to out-source and utilize our facilities to supply component parts. The laser division has moved to its own facility and this move has isolated the parts manufacturing business from the farm equipment manufacturing process. We could foresee some growth in this part of our business while we are anticipating that farm equipment sales will be flat or lower.

Buhler Industries was established in 1933, and this year marks the 30th anniversary since I became actively involved with the turn around of the company. While progress was slow in the early years, 30 consecutive years of increased sales, except for flat sales in 1988, is no small feat. Thirty consecutive years of profits is a trend that we hope to maintain. Due to the cyclical nature of the farm equipment business it is more difficult to have consecutive quarterly increases but we are very proud of the fact that we have accomplished 23 consecutive quarters of increased profits.

We are particularly proud of our standing compared with all other publicly traded companies in Canada. Last year we ranked number 105 with a return on capital of 24% and this year's return of 26% will likely improve our position again. We ranked number 416 with net after tax earnings of $6.1 million and this years earnings of $7.1 million should get us into the top 400 in next years survey. Since our initial public offering in 1994 we have outperformed the TSE 300 by a wide margin. (see chart on page 12).

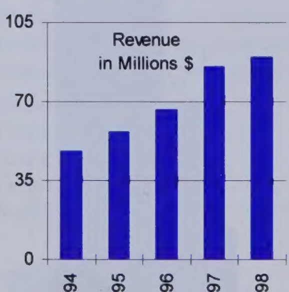
None of these accomplishments would have been possible without the sound advice of our executives listed on page 13, our competent division managers, our service oriented sales team and our skilled 600 employees (all listed on the back page of this report).

John Buhler, Chairman
November 13, 1998

Management Discussion & Financial Analysis

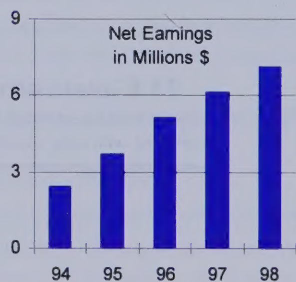
Depressed commodity prices have slowed down the rate of growth but did not result in lower net earnings. We had hoped to complete some acquisitions prior to the end of 1998 fiscal year end however the strong economy of the past few years has increased the asking price and we will simply have to be patient and wait for new opportunities. We are confident that there will be some bargain acquisitions available over the next few years.

Sales and Growth



We have averaged a 25% increase in sales over the past five years and it would be easy to say that this trend will continue. As a matter of fact last year we forecast a 10% increase and we had to settle for only 5%. We were on target till the last month of the 4th quarter and then sales growth came to an abrupt halt. Therefore we are forecasting flat or lower sales for 1999. If we are successful in completing one or two of the acquisitions that are being contemplated we could see a small increase in sales.

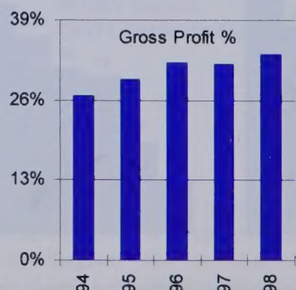
Earnings and profitability



We are forecasting relatively flat sales and earnings for the next few years or until there is an improvement in the farm economy.

A slowdown is often welcomed as it gives everyone in the company a chance to focus on existing operations and carefully analyze their role in the company with the view of improving efficiency.

Gross Profit



Gross profit increased to 32.8% compared with 31.7% last year. This increase is largely due to the improved exchange rate on the US dollar. The investment in new equipment of 45 million dollars and the expanded facilities have improved efficiencies and gross margin.

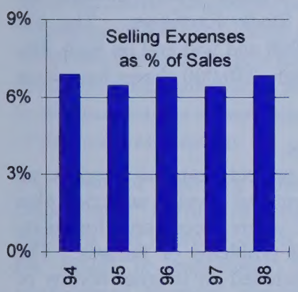
Management Discussion & Financial Analysis

Operating results (000's)

		Revenue	Earnings
First Quarter	**1998**	**21,696**	**1,295**
	1997	17,694	983
Second Quarter	**1998**	**20,682**	**1,097**
	1997	20,479	945
Third Quarter	**1998**	**25,995**	**2,015**
	1997	23,075	1,676
Fourth Quarter	**1998**	**20,821**	**2,706**
	1997	24,127	2,527

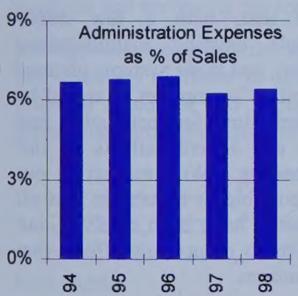
Net earnings for fourth quarter were higher than last year in spite of significantly reduced revenue.

Selling expenses



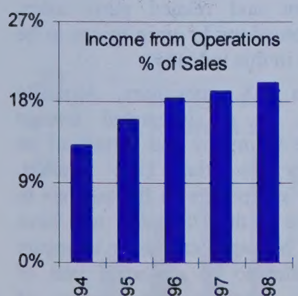
Selling expense as a percentage of sales have increased slightly to 6.8% compared with 6.4% last year and 6.8% in the previous year. In spite of tight controls on this expense we have not been successful in keeping this expense below our five year average of 6.6%

Administration expense



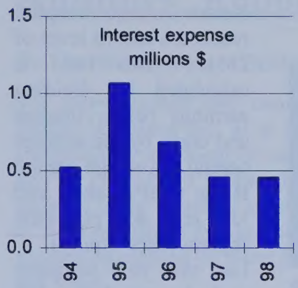
Administration expense as a percentage of sales is also slightly higher to 6.4% compared with 6.2% last year and 6.8% in the previous year. The modest but efficient new head office in Winnipeg should keep this expense in line with our five year average of 6.4%.

Income from operations



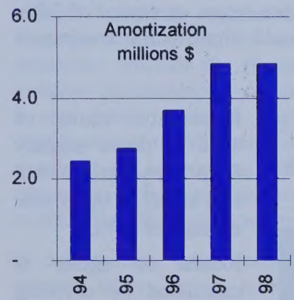
19.5% income from operations means that we are still shy of our goal to report 20% income from operations. With the slow down in the farming economy we may have to wait a few years to reach this level of profitability, however, we will not lose sight of this target.

Interest expense



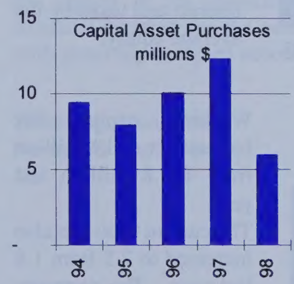
Interest expense has declined in the past four years and with recent reductions in the bank prime rate and lower debt levels we could see continued reduction in this expense.

Amortization



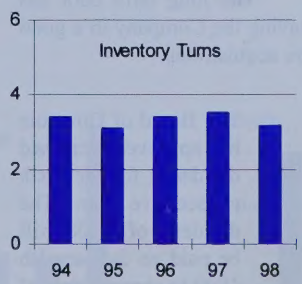
Much of the $45 million in capital purchases over the past 5 years was for new equipment which is amortized at a much higher rate. As capital purchases decrease there will be less available to amortize and this expense will decline.

Asset Purchases



Capital purchases are significantly less than last year and should stay at the $3 to $5 million level for the next few years. The factories are not operating at full capacity and we intend to fully utilize the equipment that was purchased in the past five years before entering into any major capital expenditure programs. We will continue to upgrade equipment as it becomes obsolete.

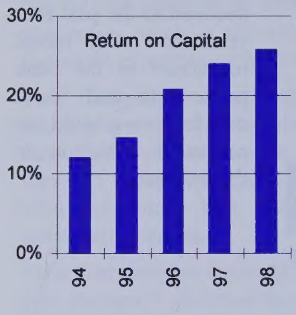
Inventory



Inventory increased by $2.5 million resulting in a reduction in inventory turns. Inventory turns of 3.2 is still acceptable in our industry and we feel that we could live with three turns per year for the next few years. Increased inventory is as a result of attempting to level off employment levels and make certain that product is always available at a time when sales are hard to come by.

Management Discussion & Financial Analysis

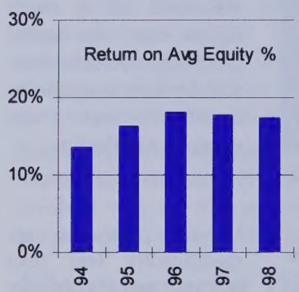
Return on Capital



Return on capital reached a record level of 26%. This ratio is calculated by dividing earnings before interest and taxes by the average capital. (Average capital is the total of short and long term debt plus total shareholders' equity).

Last year your company ranked number 105 amongst Canada's top 1,000 public companies with a return on capital of 24%. This year's performance could improve the company's ranking again.

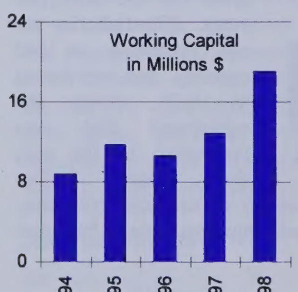
Return on Equity



Return on equity of 17% is down slightly from last years 18% but still ahead of the 5 year average of 16%.

Return on equity is calculated by dividing the earnings before interest and taxes by the average equity.

Liquidity

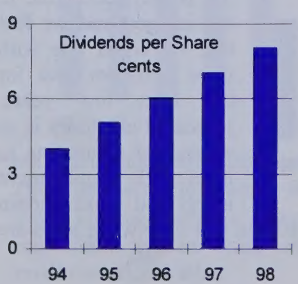


Working capital has increased to \$19 million from \$12.8 million last year.

The current ratio has also increased to 2.5 from 1.8 last year. The company earned an additional \$.6 million by taking advantage of all cash discounts.

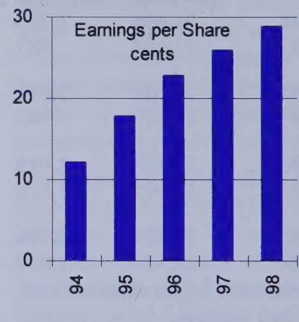
The long term debt has been virtually eliminated leaving the Company in a good position to finance any future acquisitions.

Dividends



The Board of Directors has approved increased dividends for the sixth consecutive year. The dividend of \$0.08 will be paid on January 4th 1999 to shareholders of record on Dec. 4,1998. Dividends are usually paid annually.

Earnings per share



Five consecutive years of increases in earnings per share will encourage us to work even harder in 1999 to maintain this record.

If we are successful in purchasing a significant number of shares under the Normal Course Issuers Bid we could see some growth here.

Normal Course Issuers Bid

In September, 1998 the Company announced it's intention to purchase 1.2 million shares through the facilities of the Toronto Stock Exchange. The bid commenced on Sept. 9th 1998 and will end on Sept. 8th, 1999. To date approximately 230,000 shares have been purchased and canceled.

Year 2000 Computer Issues

The Company set up a project team to prepare an organization wide assessment and develop an action plan to identify, evaluate and, where necessary, formulate solutions to avert potential problems or failures. The scope of the assessment included an internal review of operational activities such as safety, environmental, production, machine control, service and security systems as well as financial information systems.

The project team found that, with a few minor exceptions, the Company's existing manufacturing systems and computer system, and those systems planned for, were either "Date Sensitive" compliant or would be made compliant in sufficient time for installation and testing so as not to have any adverse affects on our operations or financial reporting. With respect to our trading partners, it is not possible to be certain that all aspects of the year 2000 issues have been resolved, but we are continuing our efforts to reduce any affects that they could have on our operations.

Risks

If grain prices remain depressed there could be a negative effect on farm equipment and related parts sales. Management considers fluctuations in grain prices to be part of conducting business in this industry.

The Company operates a U.S. subsidiary, Amarillo Service and Supply Inc. as an integrated foreign operation. In addition, the Company and certain of its subsidiaries sell directly to the U.S. market. Accordingly, the Company's exposure to fluctuations in the Canadian dollar relative to the US dollar will have some impact on earnings. Management views exposure to fluctuating exchange rates to be a normal part of conducting business and considers the degree of exposure to be minimal.

Management's Responsibility for the Financial Statements

The consolidated financial statements of Buhler Industries Inc. were prepared by management in accordance with accounting principles generally accepted in Canada applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board is responsible for reviewing the annual consolidated financial statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's Auditors and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

John Buhler
President

Larry D Schroeder
Vice President

Auditors' Report

To The Shareholders of Buhler Industries Inc.

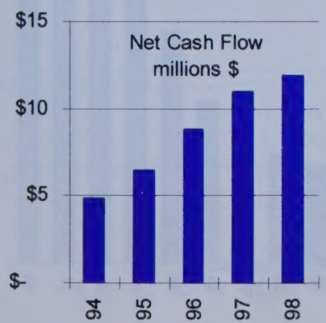
We have audited the consolidated balance sheet of Buhler Industries Inc. as at September 30, 1998 and the consolidated statement of earnings and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

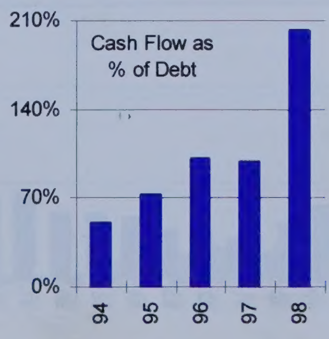
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

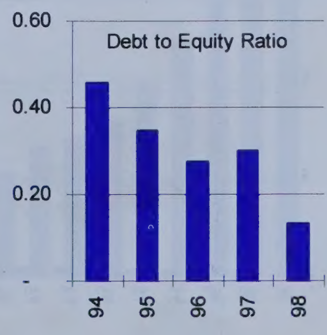
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Winnipeg, Manitoba
November 13, 1998

Certified General Accountants



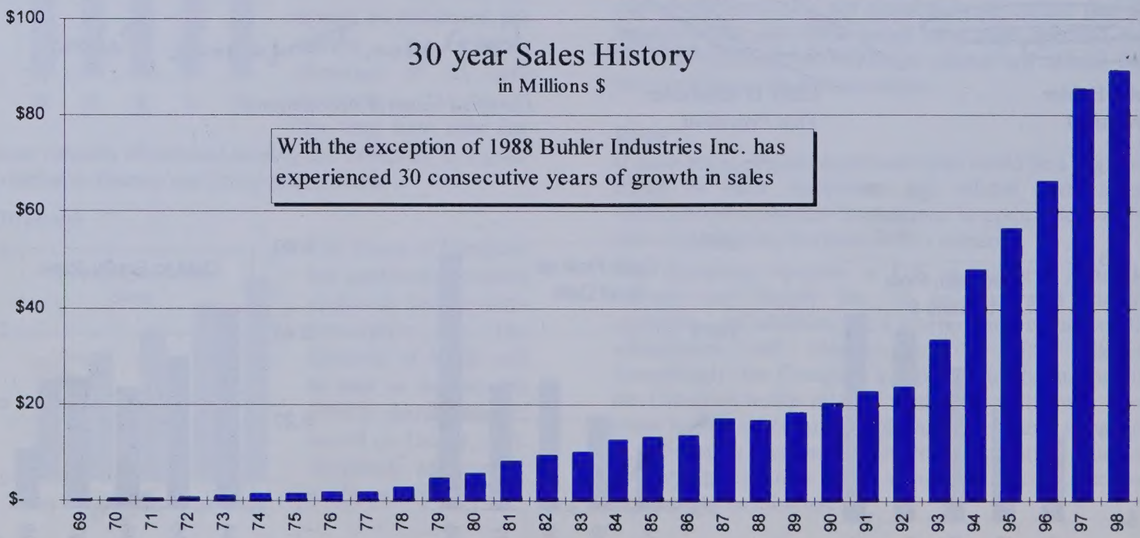




Consolidated Statements of Earnings and Retained Earnings

For the years ended September 30 ($000's) except per share amounts

	1998	%	1997	%
Revenue	$ 89,194		$ 85,375	
Cost of goods sold	59.951		58,315	
Gross profit	29,243	32.8%	27,060	31.7%
Selling expenses	6,093	6.8%	5,438	6.4%
Administration expenses	5,730	6.4%	5,309	6.2%
Income from operations	17,420	19.5%	16,313	19.1%
Gain on sale of capital assets	(727)		0	
Interest expense	458		457	
Amortization	4,808		4,809	
Research and technical expenses	552		645	
Net earnings before taxes	12,329	13.8%	10,402	12.2%
Income taxes (note 8)	5,216		4,271	
NET EARNINGS	7,113	8.0%	6,131	7.2%
Retained earnings, beginning of year	21,002		16,303	
Dividends	(1,703)		(1,432)	
Retirement of shares	(330)		0	
Retained earnings, end of year	$ 26,082		$ 21,002	
Earnings per share (note10)				
Basic	$ 0.29		$ 0.26	
Fully diluted	$ 0.28		$ 0.24	



Consolidated Balance Sheets

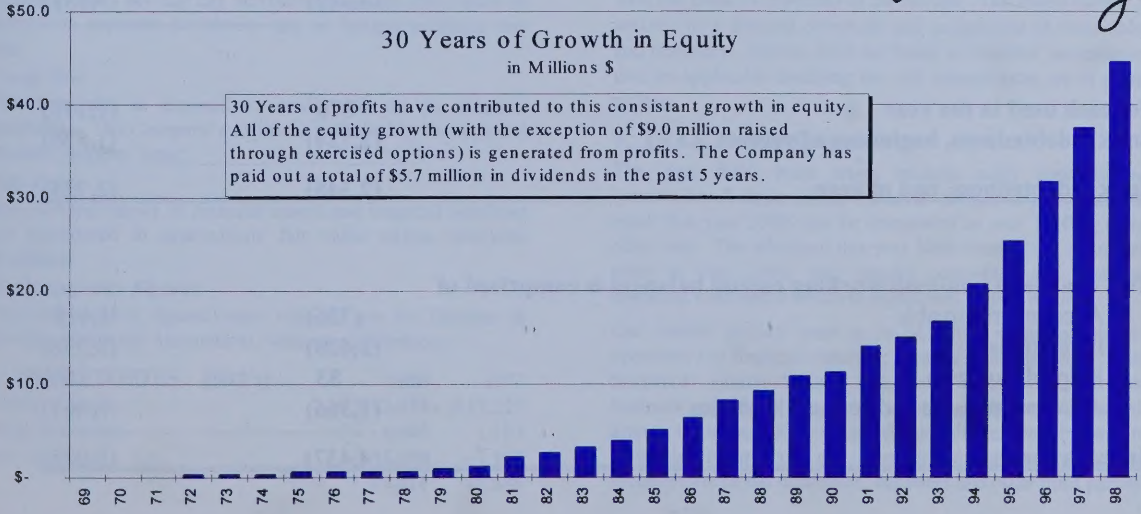
For the years ended September 30 ($000's)

	1998	1997
ASSETS		
Current Assets		
Accounts receivable	$ 12,798	$ 12,071
Inventories (note 2)	19,014	16,586
Prepaid expenses	198	281
Total Current Assets	32,010	28,938
Capital assets (note 3)	28,632	31,303
Investments - at cost	497	475
Total Assets	$ 61,139	$ 60,716
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 4)	$ 2,348	$ 2,724
Accounts payable and accrued liabilities	10,033	11,399
Current portion of long term debt	623	2,008
Total Current Liabilities	13,004	16,131
Advances from related party (note 5)	2,770	203
Long term debt (note 6)	0	6,311
Deferred income taxes	575	574
Total Liabilities	16,349	23,219
SHAREHOLDERS' EQUITY		
Share capital (note 9)	18,708	16,495
Retained earnings	26,082	21,002
Total Shareholders' Equity	44,790	37,497
Total Liabilities and Shareholders' Equity	$ 61,139	$ 60,716

On behalf of the Board

Director

Director Edward Kenny



Consolidated Statements of Changes in Financial Position

For the years ended September 30 ($000's)	**1998**	1997
Cash provided by (used in) operating activities		
Net earnings	**$ 7,113**	$ 6,131
Add (deduct) non-cash items		
Amortization	**4,808**	4,809
Gain on disposal of capital assets	**(727)**	(162)
Deferred income taxes	**0**	138
	11,194	10,916
Net change in non-cash working capital balances*	**(4,437)**	(3,025)
	6,757	7,891
Investing activities		
Purchase of capital assets, net of investment tax credits	**(5,917)**	(12,253)
Proceeds on sale of capital assets	**4,507**	4,070
Investments	**(22)**	(475)
	(1,432)	(8,658)
Financing Activities		
Issuance of share capital	**2,213**	987
Retirement of shares	**(330)**	0
Increase (decrease) in long term debt	**(7,696)**	1,201
Advances (repayment) from related party	**2,567**	(1,137)
Dividends paid	**(1,703)**	(1,432)
	(4,949)	(381)
Net cash used in the year	**376**	(1,148)
Bank indebtedness, beginning of year	**(2,724)**	(1,576)
Bank indebtedness, end of year	**(2,348)**	(2,724)

***Net change in non-cash working capital balances is comprised of**		
Accounts receivable	**(726)**	1,118
Inventories	**(2,428)**	(3,398)
Prepaid expenses	**83**	(84)
Accounts payable and accrued liabilities	**(1,366)**	(661)
Net cash used	**(4,437)**	(3,025)

Notes to the Consolidated Financial Statements

For the years ended September 30

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and all of its subsidiaries, including a 50% joint venture interest in Bradley Steel Processors Inc. which is accounted for using proportionate consolidation.

(b) Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) and net realizable value. It is the Company's policy to record provisions for obsolete and slow moving inventory based on management estimates. These estimates are necessarily subject to a degree of measurement uncertainty.

(c) Capital Assets and Amortization

Capital assets are recorded at cost less accumulated amortization and related investment tax credits. Amortization is provided over the estimated useful lives using the following rates and methods:

Buildings	4 - 5%	straight line
Equipment	20-30%	declining balance
Computers	30%	declining balance
Software and tools	100%	

(d) Foreign Currency Translation

The accounts of the United States subsidiary, which is considered an integrated foreign operation, have been translated into Canadian dollars on the following basis:

1) monetary assets and monetary liabilities at the year-end rates of exchange;
2) non-monetary assets and related amortization at rates prevailing at dates of transactions;
3) revenue and expense items, other than amortization, at the average rate for the year.

The resulting currency translation gains and losses are included in earnings.

(e) Financial Instruments

Foreign Exchange and Interest Rate Risk

These are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to interest rate or foreign exchange rate risk.

Credit Risk

The Company is exposed to credit risk on its accounts receivable. The Company's exposure is limited by its large and diverse customer base.

Fair Value

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

(f) Comparative Figures

The comparative figures were reported on by Deloitte & Touche, Chartered Accountants, without qualification.

2. INVENTORIES *(000's)*

	1998	1997
Finished goods	**$ 12,622**	$ 12,227
Work in process	**1,142**	1,195
Raw materials	**5,250**	3,164
	19,014	16,586

3. CAPITAL ASSETS *(000's)*

	Cost	Accum. Amort.	1998 Net Book Value	1997 Net Book Value
Land	$ 3,093	$ 0	**$ 3,093**	$ 3,376
Buildings	17,431	4,326	**13,105**	14,834
Equipment	25,860	14,320	**11,540**	12,530
Computers	2,142	1,269	**873**	552
Software and tools	452	431	**21**	11
	48,978	20,346	**28,632**	31,303

4. BANK INDEBTEDNESS

Bank indebtedness is secured by a general security agreement and an assignment of accounts receivable and inventory and bears interest at bank prime or less.

5. ADVANCES FROM RELATED PARTY

The advances from Highland Park Financial Inc., a Corporation which owns approximately 63% of the voting shares of the Company and which is 100% owned by Mr. John Buhler, are non-interest bearing and have no specific terms of repayment. The loan fluctuates throughout the year and Highland reserves the right to charge interest at bank prime in the event that it becomes a permanent facility.

The Company has provided a guarantee to Highland Park Financial Inc. on a $2.2 million dollar promissory note due from the Company's Deferred Profit Sharing Plan (see note 11).

6. LONG TERM DEBT *(000's)*

	1998	1997
Bank of Montreal term loan	**612**	$ 8,300
Western Diversification	**11**	19
	623	2,008
Current portion	**623**	2,008
	0	6,311

The Company has available but is not using a financing facility with the Bank of Montreal of $8 million. The credit facility is secured by a demand debenture and assignment of receivables and inventory. Interest rates are based on bankers' acceptances plus an applicable stamping fee. All interest rates are at prime or less.

7. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use 2 digits rather than 4 to identify a year, with the result that year 2000 may be interpreted as year 1900 or some other year. The effects of this year 2000 issue, if not addressed prior to year 2000, may impact operations and financial reporting from minor errors to significant system failures.

Our special project team is on schedule in protecting our operation and financial reporting systems from any major "Date Sensitive" system failures that could interrupt our normal business operations. It is not possible to be certain that all aspects of the year 2000 issues will be fully resolved but we are addressing all area's of our operations, including those related to the efforts of our customers, suppliers and other third parties.

8. INCOME TAXES

	1998	1997
Canadian corporation statutory rate	**45.0%**	45.0%
Manufacturing & processing profits	**(6.8%)**	(6.0%)
Utilization of loss carry forwards	**0%**	(8.3%)
Other	**4.1%**	10.4%
Effective tax rate	**42.3%**	41.1%

The Company has investment tax credits and operating loss carry forwards of $2.5 million that are available to be applied against certain taxable income in future years. The potential tax benefits that may result from claiming these have not been recognized. The investment tax credits and operating loss carry forwards expire as follows:

Expiry Date	Amount *(000's)*
2001	$ 861
2002	524
2003	315
2004 and thereafter	762

9. CAPITAL STOCK AND OPTIONS *(000's)*

Authorized, an unlimited number of common shares.

	1998 No. of Shares	**1998** $	1997 No. of Shares	1997 $
Issued as at Sept 30	**24,968**	**18,708**	24,121	16,495
Options exercised & Shares canceled	847	2,213	570	986

Options Outstanding	Exercise Price	Expiry Date
477	$ 2.20	Jan 29, 2002

The Company has thirty one thousand shares reserved for issuance in the event that some of these options are exercised. No new options were granted in 1998.

10. EARNINGS PER SHARE

Earnings per share is calculated using a weighted average number of shares outstanding during the year. Fully diluted earnings per share is calculated reflecting the dilutive effect of the options outstanding at September 30, 1998.

11. DEFERRED PROFIT SHARING PLAN

In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company contributes funds to the plan annually as determined by the Board of Directors, subject to certain maximum limits established by the plan. Contributions are used to purchase common shares of the Company for the employees from the plan trust. In 1998 the Company contributed $125,000 to the plan (1997 - $135,000). The plan trust owns approximately 1.3 million shares.

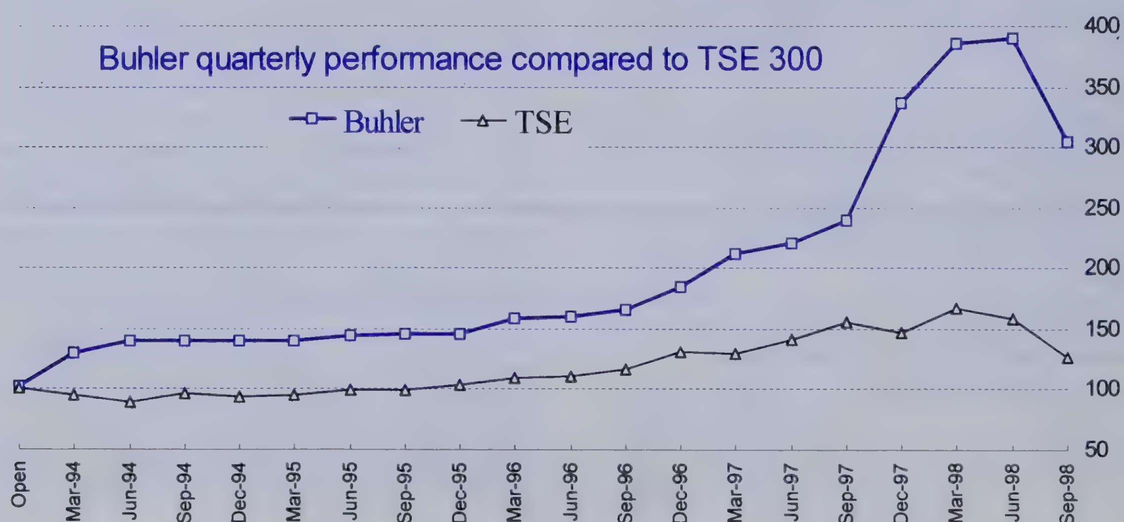
12. SEGMENTED INFORMATION *(000's)*

The Company and its subsidiaries operate throughout Canada and the United States primarily in the agricultural equipment industry. Non agricultural operations include: furniture and mirror manufacturing, lumber retail, and custom metalwork.

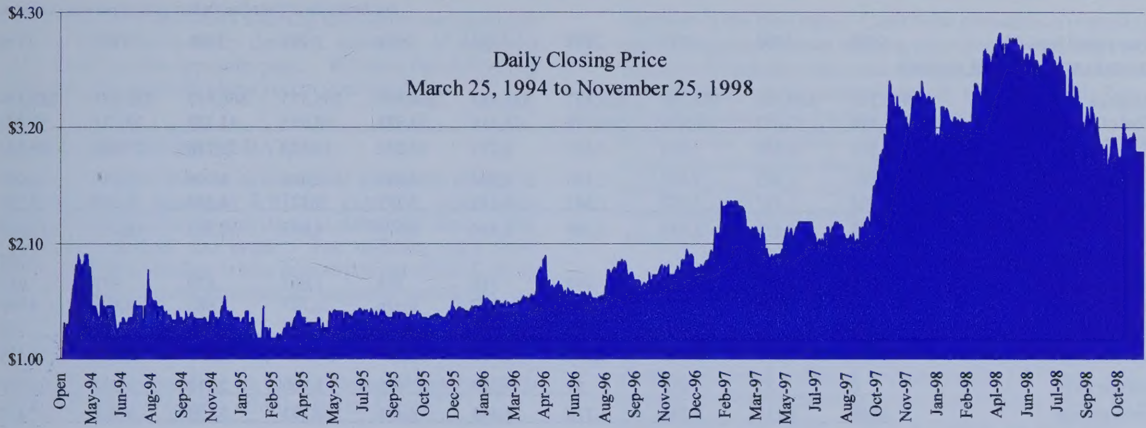
	1998 Canada	**1998** US	1997 Canada	1997 US
Revenue	**$ 82,000**	**$ 7,000**	$ 77,433	$ $7,942
Earnings	**6,500**	**500**	5,773	358
Assets	**58,000**	**3,000**	57,596	3,120

	Ag.	**Non-Ag.**	Ag.	Non-Ag
Revenue	**$ 69,000**	**$ 20,000**	$ 65,356	$ 20,019
Earnings	**6,000**	**1,000**	4,903	1,228
Assets	**47,000**	**14,000**	45,968	14,748

Included in Canadian revenue are export sales, primarily to the United States, of $35 million (1997 -$31 million)



Directory and Stock Data



	1994	1995	1996	1997	1998
High	2.10	1.60	1.98	2.54	4.25
Low	1.05	1.10	1.37	1.70	2.45
Close	1.40	1.45	1.66	2.39	3.05
Trading Volume	1,310,891	867,374	1,927,012	3,015,160	4,134,194

Officers and Directors

Name	Office	Principal Occupation	
John Buhler	Pres. & Managing Director	CEO	Buhler Industries Inc.
Larry D. Schroeder	Vice President	V.P. Sales	Buhler Industries Inc.
James H. Friesen	Secretary	CFO	Buhler Industries Inc.
Bonita L. Buhler	Director	Secretary	Highland Park Financial Inc.
Robert Chipman	Director	Chairman	Megill Stephenson Company
Philipp R. Ens	Director	Chairman	Triple E Canada Inc.
Edward Kennedy	Director	President & CEO	The North West Company Inc.
Allan L. V. Stewart	Director	Lawyer	Perlov Stewart Lincoln

Internal Management Committee

Eric Allison, Manager OEM and Tool Division
Helen Bergen, C.H.R.P., Manager, Human Resources
Doug Buhler, B.Comm.(Honors), Manager Furniture Div.
John Buhler, President
Craig Engel, P. Eng., Manager Engineering/Special Projects
Jean-Guy Fillion, C.G.A., Corporate Controller
James H (Jim) Friesen, C.M.A., Chief Financial Officer
Gary Hartridge, B. Comm., Manager Hardware/Lumber Div.
Rick Kneeshaw, C.I.M., Operations Manager, Morden
Min Lee, I.S.M., Manager Information Technology
Larry D. Schroeder, Vice President, Sales/Marketing
Gil Rossong, C.I.M., Operations Manager, Winnipeg

Audit Committee

Edward Kennedy, Chairman
Philipp R. Ens
Allan L. V. Stewart

Corporate Banker

Bank of Montreal
Winnipeg, Manitoba

Exchange Listing

The common shares of Buhler Industries Inc. are listed on the Toronto Stock Exchange and trading under the Symbol **"BUI"**

Transfer Agent

The Montreal Trust Company of Canada
Winnipeg, Manitoba

Auditors

Gislason, Targownik, Peters
Winnipeg, Manitoba

Corporate Office

1201 Regent Avenue West
Winnipeg, Manitoba, R2C 3B2
Phone (204) 661 8711 e-mail jbuhler@buhler.com

Annual Meeting

The annual meeting of shareholders of Buhler Industries Inc. will be held on Saturday, Jan. 9th, 1999, at 11:00 am at the Winnipeg Convention Center, Winnipeg Manitoba

Ten Year Summary

(in thousands of Canadian Dollars (except per share amounts))

Year ended Sept. 30	1989	1990	1991	1992	1993	1994	1995	1996	1997	**1998**
SUMMARY OF OPERATIONS										
Revenue	$18,243	$20,401	$22,790	$23,827	$33,583	$48,040	$56,575	$66,517	$85,375	**$89,194**
Cost of goods sold	11,990	13,551	15,456	16,500	25,310	34,988	40,053	45,229	58,315	**59,951**
Gross profit	6,253	6,850	7,334	7,327	8,273	13,052	16,522	21,288	27,060	**29,243**
Selling expenses	1,587	1,885	2,052	2,140	2,254	3,287	3,638	4,496	5,438	**6,093**
Administrative expenses	1,421	1,487	1,737	1,801	2,521	3,191	3,821	4,585	5,309	**5,730**
Income from operations	3,245	3,478	3,545	3,386	3,498	6,574	9,063	12,207	16,313	**17,420**
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	**(727)**
Interest expense	913	1,402	1,193	778	518	518	1,063	679	457	**458**
Amortization	677	586	738	1,119	940	2,416	2,727	3,685	4,809	**4,808**
Research & technical expenses	405	388	110	220	305	726	470	498	645	**552**
Net earnings before taxes	1,250	1,102	1,504	1,269	1,735	2,914	4,803	7,345	10,402	**12,329**
Income taxes	0	-17	259	91	593	493	1,100	2,212	4,271	**5,216**
Net earnings	**1,250**	**1,119**	**1,245**	**1,178**	**1,142**	**2,421**	**3,703**	**5,133**	**6,131**	**7,113**
EBIT	2,163	2,504	2,697	2,047	2,253	3,432	5,866	8,024	10,859	**12,787**
EBITDA	2,840	3,090	3,435	3,166	3,193	5,848	8,593	11,709	15,668	**17,595**
5 yr. avg. net profit after tax	1,392	1,406	1,321	1,159	1,187	1,421	1,938	2,715	3,706	**4,900**
CASH FLOW SUMMARY										
Capital asset purchases	$ 1,244	$ 746	$ 2,364	$ 1,952	$ 969	$ 9,369	$ 7,884	$ 9,552	$ 12,253	**$5,917**
Long-term debt incurred	832	265	1,439	-	-	-	2,587	-	1,201	**-**
Reduction of long-term debt	-	-	-	1,205	1,085	40	-	1,689	-	**7,696**
Dividends	250	100	0	176	10	623	832	1,097	1,432	**1,703**
Net cash flow	1,927	1,688	2,242	2,388	2,675	5,150	6,430	8,573	10,940	**11,921**
Bank cash (indebtedness)	(4,606)	(3,692)	(5,766)	(3,774)	(1,646)	(3,713)	365	(1,576)	(2,724)	**(2,348)**
Cash flow to debt ratio	.18	.16	.16	.22	.36	.54	.62	.85	.97	**2.08**
BALANCE SHEET SUMMARY										
Accts receivable, cash & ppd.	2,932	4,087	6,198	5,187	5,768	7,912	8,616	13,386	12,352	**12,996**
Inventories	11,372	9,835	12,757	11,250	10,383	10,418	12,792	13,188	16,586	**19,014**
Total current assets	14,304	13,922	18,955	16,437	16,151	18,330	21,408	26,574	28,938	**32,010**
Total assets	23,730	23,767	30,135	28,275	27,683	36,622	44,180	54,341	60,716	**61,139**
Total current liabilities	6,497	5,780	7,874	6,354	4,484	9,588	9,731	16,108	16,131	**13,004**
Total short and long term debt	10,945	10,296	13,809	10,644	7,431	9,459	10,409	10,034	11,246	**5,741**
Total liabilities	12,916	12,484	16,067	13,408	11,036	15,920	18,863	22,530	23,219	**16,349**
Total shareholder equity	10,814	11,283	14,068	14,867	16,647	20,702	25,317	31,811	37,497	**44,790**
Shares outstanding (millions)	19.0	19.0	19.0	19.0	19.0	20.0	20.8	23.0	23.9	**24.9**
Working capital	7,807	8,142	11,081	10,083	11,667	8,742	11,677	10,466	12,807	**19,006**
DATA PER COMMON SHARE										
Revenue	$ 0.96	$ 1.07	$ 1.20	$ 1.25	$ 1.77	$ 2.40	$ 2.72	$ 2.89	$ 3.57	**$ 3.57**
EBITDA.	0.15	0.16	0.18	0.17	0.17	0.29	0.41	0.51	0.66	**0.71**
EBIT	0.11	0.13	0.14	0.11	0.12	0.17	0.28	0.35	0.45	**0.51**
Net earnings (fully diluted)	0.07	0.06	0.07	0.06	0.06	0.12	0.18	0.22	0.24	**0.28**
Cash flow	0.10	0.09	0.12	0.13	0.14	0.26	0.31	0.37	0.46	**0.48**
Dividends for year	0.02	0.01	0.01	0	0.03	0.04	0.05	0.06	0.07	**0.08**
Closing share price	Stock was listed on March 25/94 opening at:				1.00	1.40	1.45	1.66	2.39	**3.05**
Price to cash flow	n/a	n/a	n/a	n/a	7.1	5.4	4.7	4.5	5.2	**6.4**
Price to book	n/a	n/a	n/a	n/a	1.1	1.4	1.2	1.2	1.5	**1.7**
Price to sales	n/a	n/a	n/a	n/a	0.6	0.6	0.5	0.6	0.7	**0.9**
Price to earnings	n/a	n/a	n/a	n/a	16.7	11.7	8.1	7.5	10.0	**10.7**
Shareholders' equity	0.57	0.59	0.74	0.78	0.88	1.04	1.22	1.38	1.57	**1.80**
STATISTICAL DATA										
Current ratio	2.2	2.4	2.4	2.6	3.6	1.9	2.2	1.6	1.8	**2.5**
Net working capital ratio	1.1	1.1	1.2	1.2	1.5	1.2	1.1	1.2	1.2	**2.0**
Debt to equity ratio	1.0	0.9	1.0	0.7	0.4	0.5	0.4	0.3	0.3	**0.1**
No. of shareholders (approx.)	150	150	150	200	250	650	1000	1350	1600	**1700**
Inventory turnover	1.1	1.4	1.2	1.5	2.4	3.4	3.1	3.4	3.5	**3.2**
Gross margin (% of revenue)	34%	34%	32%	31%	25%	27%	29%	32%	32%	**33%**
Selling expense (% of revenue)	9%	9%	9%	9%	7%	7%	6%	7%	6%	**7%**
Administration (% of revenue)	8%	7%	8%	8%	8%	7%	7%	7%	6%	**6%**
Net earnings (% of revenue)	7%	5%	5%	5%	3%	5%	7%	8%	7%	**8%**
Return on capital	11%	13%	13%	9%	10%	11%	18%	19%	24%	**26%**
Return on equity	12%	10%	10%	8%	7%	13%	16%	18%	18%	**17%**

Definition of Terms

For the benefit of investors wanting to do their own analysis we have provided a fairly detailed summary of data and ratios listed on the opposite page. We trust the following definition of terms will assist you in your analysis.

CASH FLOW TO DEBT RATIO

The ratio of cash flow to debt, which measures ability to repay debt. A figure of 0.97 for example, means the company's cash flow covers its total debt 0.97 times. The higher the number, the better. For utilities, cash flow should be 0.20 or higher, while industrials should be 0.30 or higher. Negative numbers indicate negative cash flow.

CAPITAL

Short and long term debt, including lease obligations, plus total shareholders' equity. (Buhler has no leases).

CURRENT RATIO

Current assets divided by current liabilities.

EARNINGS PER SHARE

Net earnings divided by average common shares outstanding. This figure gives an indication of what is available to be distributed as dividends.

EBIT

Earnings before interest and taxes.

EBITDA

The total of earnings before interest, taxes, depreciation and amortization.

EBITDA PER SHARE

Earnings before interest, taxes, depreciation and amortization divided by average shares outstanding.

FULLY DILUTED EARNINGS PER SHARE

Dilution is the reduction in earnings per share that would occur if all rights, warrants and convertible debentures and so on were converted into shares.

NET EARNINGS

Often referred to as profit, this is the net income after taxes, excluding extraordinary gains or losses.

NET CASH FLOW

The total of net earnings after tax plus amortization.

NET WORKING CAPITAL RATIO

This is similar to a company's current ratio, which compares the value of current assets against current liabilities, but in this case, it takes into account both short and long term liabilities. The higher the number, the more assets a company has to cover its liabilities.

PRICE TO CASH FLOW RATIO

The share price divided by cash flow per share. The lowest number is the best ratio. Cash flow measures a company's ability to grow, without feeding upon itself by selling assets. Because it includes non-cash charges like amortization and depreciation, which sometimes can be large, cash flow is often regarded as a better indicator than earnings. Cash flow is an especially important indicator for capital intensive companies that must spend a lot of money to get things rolling, but then have smaller outlays as their business progresses (oil & gas companies, real estate, cable television companies, and so on).

PRICE TO BOOK RATIO

The ratio between a company's share price divided by its book value. The lowest number is the best ratio. A company's book value is its net worth per share, and is usually a more conservative and stable figure than its net asset value per share. If a company is liquidated, its creditors and preferred shareholders get paid first, while common shareholders get whatever is left - the book value. Shares of respected companies aren't likely to slip much below their book value.

PRICE TO SALES RATIO

Share price divided by the company's revenue per share. The lowest number is the best ratio. Since sales is a more strictly defined figure than earnings, the P/S ratio is generally more constant and reliable than the price/earnings ratio. The average P/S ratio is higher in some industries than others - an industry with a generally high profit margin will have a higher P/S ratio than one with a thin margin. But any stock with a P/S ratio of more than two is usually a high risk.

PRICE EARNINGS RATIO

Share price, divided by the fully diluted earnings per share. The P/E ratio measures investor enthusiasm about a company's future earnings power, or how popular a stock is. Some investors believe a low P/E ratio helps identify undervalued securities, but some companies with low P/E's are unpopular for a good reason, and some fast growing companies fully deserve their high P/E ratios.

RETURN ON CAPITAL

This percentage figure is EBIT divided by average capital. This figure shows how well a company's managers have employed its assets, regardless of whether creditors or shareholders have provided the capital. Negative numbers mean a negative return. The higher the figure, the better.

RETURN ON EQUITY

EBIT divided by average shareholders' equity.

REVENUE

Total sales and other income from operations, less sales and excise taxes, plus income from investments and any other pretax income.

SHAREHOLDERS' EQUITY

Total value of share capital and retained earnings.

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